Office of the Secretary
Service Date
July 31, 2012

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO DECREASE THE CUSTOMER EFFICIENCY SERVICES RATE	)	**CASE NO. PAC-E-12-11** **ORDER NO. 32606**

On May 30, 2012, PacifiCorp dba Rocky Mountain Power filed an Application requesting authority to reduce its Customer Efficiency Services rate (Schedule 191). The Schedule 191 rate is currently 3.4% and it produces annual revenues of approximately $5.7 million. The Company proposes to decrease the rate to 2.1%, a rate expected to generate approximately $3.5 million per year. The Company believes the rate reduction is appropriate to align the Company's recovery of funds associated with future demand-side management (DSM) related expenditures, and requested the new rate be effective July 1, 2012.

The Company's Application provides a summary review of each of its DSM programs along with expected levels of funding in the near-term. Although the Company's DSM balancing account was in deficit by approximately $1 million as of April 30, 2012, Rocky Mountain expects to have a credit balance beginning August 2012 at current energy efficiency rider levels. The Company does not propose to modify or decrease its DSM activities as part of this Application. The Company states that it "will continue to review funding needs on a routine basis to determine whether this proposed adjustment is sufficient to fund ongoing program expenses and continue to recover the remaining balance owed the Company in the DSM balancing account." Application, p. 5.

On June 19, 2012, the Commission issued a Notice of Application and Order suspending the proposed effective date for the new rate. Order No. 32577. On July 3, 2012, the Commission issued a Notice of Modified Procedure establishing a period for interested parties to file written comments through July 24, 2012. Written comments were filed by the Idaho Conservation League (ICL), Snake River Alliance (SRA), and Commission Staff. In addition, after the comment deadline, form comments were filed by members of the public, who are not customers of Rocky Mountain.

Staff reviewed the Company's Application and additional information provided by Rocky Mountain and supports the Company's proposal to reduce the Schedule 191, Energy Efficiency Rider, to 2.1%. Staff stated the proposed reduction will fund ongoing DSM expenditures and more closely align the revenue and expenses associated with the DSM balancing account by December 31, 2013. Staff further believes the DSM tariff rider can be reasonably reduced now to match expenditures and increased if and when DSM program expenditures increase.

In its written comments, SRA stated it does not support Rocky Mountain's request because it is premature and has a potential to undermine ongoing attempts to expand DSM programs. SRA believes it is premature because there is not a record of Rocky Mountain overcollecting funds for its DSM programs over a period of time. SRA suggests the Company be given additional time to demonstrate that it will neither modify nor decrease any of its DSM activities as part of this Application, and that the best way to do that is to allow the current funding to stay in place, and for the Company to return to the Commission later with evidence supporting any request for a funding decrease. SRA also suggested the Company's request may indicate it is not planning adequately for future DSM-related expenditures. SRA stated the Company has a recent history with DSM funding levels of increases and decreases, sending mixed signals to customers as to the value of the programs. SRA believes there is insufficient evidence to support a request to reduce funding for conservation programs from the current rider level of 3.4% to the requested 2.1%.

The Idaho Conservation League in its comments also recommends the Commission deny Rocky Mountain's request to reduce its energy efficiency rider. ICL believes Rocky Mountain's studies indicate current efficiency programs are cost-effective and that substantial amounts of additional savings are achievable. ICL believes the Company's Integrated Resource Plan (IRP) update includes commitments to expand energy saving efforts that will increase the need for funding. ICL contends the timing for when Rocky Mountain will begin overcollecting with its current rider is not clear. ICL believes the Commission should encourage an overcollection of DSM funds for two reasons: first, ratepayers receive a carrying charge on the overcollected funds, and second, a positive balance provides room for program growth, new programs and signals "an unwavering commitment to pursuing all available cost-effective energy efficiency." ICL Comments, p. 2.

ICL also questions Rocky Mountain's representation that a reduced rider will adequately fund anticipated expenditures. For example, ICL contends expenditures for the Home Energy Saver Incentive program, forecast to be $641,000 in 2012 and $714,000 in 2013, may actually increase to $754,856. ICL also believes that Rocky Mountain's studies indicate there is substantial additional energy savings available and that Rocky Mountain has made commitments to pursue potential energy efficiencies in its residential and small commercial energy programs beginning in March 2012. Pursuing these studies may result in an increase in the energy efficiency rider, and ICL recommends, instead of "whipsawing" the rate up and down, that the Commission maintain the current rate pending the outcome of these studies. ICL Comments, p. 4.

The Commission approves Rocky Mountain's Application to reduce its energy rider to 2.1%. First, the reduction to the tariff rider will *not* result in a reduction in DSM expenditures. The Company is expected to maintain its existing programs at existing levels, and thus maintain approximately the same level of DSM expenditures through 2013. A 2.1% Rider will generate approximately $3.5 million in annual revenue, based on the 2010 loads used in the Company's most recent general rate case. The Company expenditures on DSM programs in 2011 were $2,574,000, and are expected to be $3,227,000 in 2012 and $3,121,000 in 2013. The rider of 2.1% will fully fund the anticipated expenses.

Second, Rocky Mountain has overcollected on its energy rider in order to pay down a deficit balance. On February 28, 2011, the Commission ordered the Company to treat its Idaho irrigation Load Control program as a system resource. Order No. 32196. The Commission at the same time reduced the DSM tariff rider from 4.72% to 3.4% to account for removal of the Load Control program, but also set the rate high enough to enable the Company to recover its deferral balance in approximately two years. The sluggish economy and cooler than normal weather during 2011, however, resulted in DSM expenses significantly lower than anticipated. Customers did not purchase energy efficient appliances or undertake retrofit projects at the rate anticipated by the Company. As a result, the Company overcollected on the DSM tariff rider in 2011 and paid down the deferral balance sooner than anticipated. The Commission expected to reduce the rider once the deferral balance was eliminated.

Finally, the Commission does not find it prudent, as suggested in written comments, to allow Rocky Mountain to collect significantly more than is necessary for its existing programs to build a reserve for future energy efficiency programs. Although the Commission expects Rocky Mountain to continue reviewing cost-effective DSM programs, and to implement new programs or expand existing programs as appropriate, allowing what could be a significant accumulation of funds without knowing when or how much will be needed for future programs would be unfair to ratepayers. Leaving the rider at its current rate of 3.4% likely would create a large fund in search of expenditures, and that situation could undermine customers' confidence that their rates are prudently used to fund only cost-effective programs.

The Commission finds a rate of 2.1% for Rocky Mountain's Customer Efficiency Services rate (Schedule 191) to be just, fair and reasonable. Accordingly, the Commission approves the Company's Application to implement that Schedule 191 rate, effective August 1, 2012.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain's Application to reduce its Customer Efficiency Services rate, Schedule 191, to 2.1%, effective August 1, 2012, is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of July 2012.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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